



REPORT OF THE AUDIT DEPARTMENT
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 2004-3-E
DUKE POWER COMPANY

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REPORT OF THE AUDIT DEPARTMENT

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DUKE POWER COMPANY

ANALYSIS

The Audit Department Staff has made a study of the books and records of Duke Power Company, Charlotte, North Carolina, relative to the Commission's requirement under Docket No. 2004-3-E, that periodic hearings be conducted before the Commission concerning the Adjustment of Base Rates for Fuel Costs.

CURRENT REVIEW PERIOD

The current investigation of Duke Power Company's Retail Fuel Adjustment Clause covers the period June 2003 through May 2004. Since the fuel hearing is scheduled for May 2004, Staff's audit covered through the month of March 2004, with the months of April and May 2004 estimated. In the last fuel hearing, fuel figures for April and May 2003 were estimated, therefore, Staff reviewed Duke's books and records for the period April 1, 2003 through March 31, 2004. The (under)-recovery amount for April 2004 and the (under)-recovery amount for May 2004 were estimated for the purpose of adjusting base rates effective June 1, 2004. The April and May 2004 estimates will be trued-up at Duke's next hearing after the costs are examined.

SCOPE OF STUDY

The Commission's Audit Department's examination consisted of the following:

1. Analysis of Fuel Stock - Account # 151
2. Sample of Receipts to the Fuel Stock Account --Account #151
3. Verification of Charges to Nuclear Fuel Expense --- Account # 518
4. Analysis of Purchased Power and Interchange (Net)
5. Verification of KWH Sales
6. Comparison of Coal Costs
7. An Analysis of Spot Coal Purchasing Procedures
8. Recomputation of Fuel Costs and Verification of Deferred Fuel Costs
9. Recomputation of True-up for Over (Under)-Recovered Fuel Costs

ANALYSIS OF FUEL STOCK ACCOUNT - ACCOUNT # 151

Staff's analysis of the Fuel Stock Account consisted of tracing receipts to and from the General Ledger (debits and credits), reviewing monthly fuel charges originating in fuel accounting and insuring that only proper charges are entered in the Company's computation of fuel costs for purposes of adjusting base rates for fuel costs.

SAMPLE OF RECEIPTS TO THE FUEL STOCK ACCOUNT-- ACCOUNT #151

Staff's sample of receipts to the Fuel Stock Account consisted of randomly selecting transactions, tracing each of these transactions to a waybill and a purchase order for documentation purposes, and recalculating the transactions to insure mathematical correctness.

VERIFICATION OF NUCLEAR FUEL EXPENSE - ACCOUNT # 518

The Staff traced the expense amounts to the General Ledger. The expenses were also traced to filings to the Commission from the Company.

ANALYSIS OF PURCHASED AND INTERCHANGE POWER (NET)

Staff performed an examination of the Company's purchased power and interchange (Net) amount used in the Fuel Adjustment Clause.

Staff obtained the details of purchases and sales made by Duke from and to other electric utilities. Staff verified all individual transactions of purchased and interchanged power to source documents. Staff verified amounts that are being used in computing total fuel costs for each month. These details allowed the Staff to identify fuel costs that were being passed through the clause in computing the factor above or below the base for each period.

Staff's Purchased Power figures for April 2003 through March 2004 and the resultant over (under)-recovery monthly deferred fuel amounts for April 2003 through March 2004 reflects Staff's compliance with the recently revised section of the S.C. Fuel Statute (updated as of February 2004). This Statute addresses "fuel costs related to purchased power". Section 7 (2)(b) of the revised Statute stated that the delivered cost of economy purchases, including transmission charges, could be included in Purchased Power Costs if those types of purchases were proven to be "less than the purchasing utility's avoided variable costs for the generation of an equivalent quantity of electric power". After Staff applied this revised Statute to the examined economic purchases in comparison to the applicable avoided costs, Staff's adjustment increased the review period's Purchased Power Costs, on a total system—native load basis, by \$1,783,947. As mentioned previously, according to the new

Statute section, transmission charges could be included in the delivered cost of economy purchases. The Audit Staff and the Company could not readily identify the economy transmission charges for this review period. Therefore, Staff did not make an adjustment to specifically include these charges. Based on the new Statute section, after comparing the economy purchases to the Company's applicable avoided variable costs, Staff's avoided costs adjustment totaled (\$69,274). This figure reflects the usage of an avoided cost as a lesser price, at that point in time, over a purchase price. Staff's avoided cost adjustment (on a native load basis) of (\$69,274) also reflects the difference (as adjusted for rounding) between the Company's-- \$26,990,000 and the Staff's -- \$26,919,662-- Purchased Power Costs for the review period, on a total system basis. The effect of Purchased Power Costs , on a S.C. jurisdictional basis (28%), is \$ 7,557,000, per Company and \$7,538,000, per Staff. The net difference between the Company's and the Staff's Purchased Power Costs for the review period, on a S.C. jurisdictional basis, is \$19,000 (on a rounded basis).

VERIFICATION OF KWH SALES

The Audit Department Staff reconciled the KWH sales as reported to the Commission through monthly fuel adjustment filings to the Company's monthly Financial and Operating Reports.

COMPARISON OF COAL COSTS

Staff prepared exhibits from Duke's books and records reflecting coal costs during the review period. Specifically, these exhibits are as follows:

Exhibit A - Coal Cost Statistics

Exhibit B - Received Coal-Cost Per Ton Comparison

With reference to Exhibit A, Coal Cost Statistics, Staff has shown a detailed analysis of spot and contract coal for the twelve (12) - month period April 2003 through March 2004. The detail gives emphasis to tons purchased, percentage of tons purchased, cost per ton delivered, total delivered cost, and cost per MBTU.

In Exhibit B, Received Coal-Cost Per Ton Comparison, Staff reflects the overall cost per ton of coal by month for the three major electric utilities regulated by this Commission.

ANALYSIS OF SPOT COAL PURCHASING PROCEDURES

The Audit Staff examined the procedure followed by the Company's Fuel Purchasing Department for obtaining and accepting offers on spot coal. To achieve this, Staff chose two months of the audit period that had received large amounts of spot coal. Staff examined spot coal proposals received in the months of April 2003 and May 2003.

The Fuel Purchasing Department maintains a list of coal vendors from whom proposals are received monthly. These coal vendors send their proposals to Duke via Spot Coal Sales Proposal Data Sheets, with each proposal or offer on a separate sheet.

If the Company decides to purchase spot coal in a given month, then the proposals are evaluated. For evaluation purposes, the spot coal sales proposals are compiled on an Evaluation of Spot Bids computer run and are ranked by the cost per MBTU. The purchasing agents consider at least three factors when they agree to the spot coal offers: (a) the price per ton (including freight), (b) the BTU, ash, and sulfur content of the coal offered, and (c) the past

experience with the supplier and the coal obtained from the producer. The Company's purchasing agents determine the current market price for spot coal prior to negotiating with the coal vendors. In this way, the agents determine the limits they should stay within when bargaining for coal. The agents bargain over the price of the coal, and either accept (the original offer or a counter offer) or reject the coal vendor's offer.

Upon acceptance of an offer, the Fuel Purchasing Department prepares a purchase order, a copy of which is mailed to the coal vendor. When the coal is received at the plant, the Company analyzes the coal for BTU, ash, and sulfur content and prepares a coal analysis report which is sent to the Fuel Purchasing Department. The Fuel Purchasing Department determines the appropriate premium or penalty on the coal, and the results are forwarded to the Company's Accounting Section, which in turn, adds a premium or assesses a penalty to the total amount due to the coal vendor.

The Fuel Purchasing Department closely monitors the quality of coal shipped by the various producers. If a certain producer renders poor performance, the purchasing agent records it and considers this when analyzing any future offers from the supplier.

As mentioned previously, Staff examined spot coal offers received for the months of April 2003 and May 2003. Staff obtained the Company's Evaluation of Spot Bids computer runs for the aforementioned months. The Evaluation of Spot Bids run is listed alphabetically by plant, with each plant's spot coal offers ranked by cost per MBTU. Also included on the Evaluation of Spot Bids run is the name of the coal company, the name of the producer, number of tons offered, coal specifications, the number of tons purchased, the plant to which the coal was shipped, or a reason for rejecting the offer.

During April 2003, 25 offers were submitted (per offer sheets), Duke accepted 13 bids that resulted in 15 orders (several plant orders per offer sheet). During May 2003, 12 offers were submitted (per offer sheets), Duke accepted 5 bids that resulted in orders (several plant orders per offer sheet).

RECOMPUTATION OF TRUE-UP FOR OVER (UNDER) -RECOVERED FUEL COSTS

Staff analyzed the cumulative over-recovery of fuel costs that the Company had incurred for the period April 1, 2003 through March 31, 2004 totaling \$ 11,424,295. The Company and the Consumer Advocate agreed on a Stipulation in April 2004 concerning the treatment of various Purchased Power Costs that was an issue in the previous Duke fuel hearings of Docket No. 2002-3-E and Docket No. 2003-3-E. The Stipulation was subsequently approved by the Public Service Commission of S.C. on May 4, 2004. The Stipulation between the Company and the Consumer Advocate stated that the Company would "forego recovery of \$500,000" in fuel costs as a settlement amount for the two aforementioned fuel dockets. It should be noted that the Company had already, at the time of the Stipulation, booked a reverse journal entry of \$566,033 (\$564,000 before the tax factor of 1.0044) that could be considered in favor of the ratepayers. Therefore, Staff reflects an agreement with the Stipulation by reflecting a "Stipulation Adjustment" of \$500,000 as an over-recovery adjustment in the calculation of the cumulative deferred over-recovery balance as of March 2004. Staff added the projected (under)-recovery of (\$1,347,338) for the month of April 2004 and the projected (under)-recovery of (\$3,748,985) for May 2004 to arrive at a cumulative over-recovery of \$ 6,327,972. The Company's cumulative over-recovery balance, on a S.C. jurisdictional basis, as of actual March 2004, per its testimony in Docket No. 2004-3-E totals

\$11,598,000. Staff's cumulative over-recovery balance, on a S.C. jurisdictional basis, as of actual March 2004 totals \$11,424,295. The cumulative over-recovery balance difference, on a S.C. jurisdictional basis, between the Staff and the Company as of actual March 2004 is \$173,705 (\$174,000 on a rounded basis). The Company's cumulative over-recovery balance, on a S.C. jurisdictional basis, as of estimated May 2004, per its testimony in Docket No. 2004-3-E totals \$6,502,000. Staff's cumulative over-recovery balance, on a S.C. jurisdictional basis, as of estimated May 2004 totals \$6,327,972. The cumulative over-recovery balance difference, on a S.C. jurisdictional basis, between the Staff and the Company as of estimated May 2004 is \$174,028 (\$174,000 on a rounded basis).

Staff and the Company reflected various differences in the monthly deferred fuel entries due mostly to rounding and in one month, due to a Purchased Power adjustment. Staff's Purchased Power figures on a total system basis were the same for ten months out of the twelve-month review period when compared on a rounded basis. Differences in the Purchased Powers figures were cited in May and July 2003. Staff's report, reflects calculation adjustments made to Purchased Power Costs for the aforementioned months using the revised Fuel Statute, based on Staff's review of Purchased Power system operations reports and invoices. Staff's Exhibit G, S.C. Retail Comparison of Fuel Revenues and Expenses, which consists of four pages, provides details of Staff's cumulative over-recovery balance.

As stated in Duke Power Company's Adjustment for Fuel Costs, fuel costs will be included in base rates to the extent determined reasonable and proper by the Commission. Accordingly, the Commission should consider the over-recovery of **\$6,327,972** along with the

anticipated fuel costs for the period June 1, 2004 to May 31, 2005, for the purpose of determining the base cost of fuel in rates effective June 1, 2004.

This over-recovery figure of **\$6,327,972** was provided to the Commission's Utilities Department.

RESULTS OF EXAMINATION

Based on the Audit Staff's examination of Duke Power Company's books and records, and the utilization of the fuel cost-recovery mechanism as directed by this Commission, the Audit Staff is of the opinion that the Company has complied with the directives (per the Fuel Adjustment Clause) of the Commission.

EXHIBITS

Exhibits relative to this report are identified as follows:

EXHIBIT A: COAL COST STATISTICS

In Exhibit A, Coal Cost Statistics, Staff compares spot, contract and total coal received for the months of April 2003 through March 2004. The comparison is made in the following areas:

1. Tons Purchased
2. Percentage of Total Tons Purchased
3. Received Cost Per Ton
4. Total Received Cost
5. Cost Per MBTU

EXHIBIT B: RECEIVED COAL-COST PER TON COMPARISON

In Exhibit B, Staff has shown for comparison purposes, the freight cost per ton, mine cost per ton, the total cost per ton, and the cost per MBTU of received coal for Duke Power

Company, Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. and South Carolina Electric & Gas Company. The costs per ton shown for the period April 2003 through March 2004 included both spot and contract purchases, and were extracted from required filings for Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc., South Carolina Electric & Gas Company, and from Duke Power Company.

EXHIBIT C: DETAIL OF NUCLEAR COST

In Exhibit C, Staff has shown in detail, the two components in total nuclear costs. These components are as follows:

1. Burn-up Cost
2. Disposal Cost

EXHIBIT D: TOTAL BURNED COST (FOSSIL AND NUCLEAR)

This exhibit reflects the dollar amounts of burned costs, including emission allowance expenses, and the percentage of the Total Burned Costs for fossil and nuclear fuel by months from April 2003 through March 2004.

EXHIBIT E: COST OF FUEL

In Exhibit E, Staff has computed the total fuel cost applicable to the factor computation. There are three (3) components used in arriving at this cost. Those components are as follows:

1. Cost of Fuel Burned...This amount is the burned cost of all fossil and nuclear fuel during the period. A detailed breakdown between coal (including emission allowance expenses), oil, gas and nuclear fuel can be seen in Exhibit D.

2. Purchase and Interchange Power Fuel Cost... This amount is the monthly KWH's delivered to or received by one electric utility system (and/or power marketer) from another.

3. Fuel Cost Recovered through Intersystem Sales... This amount is the fuel-related cost on KWH's sold during the period to other electric utilities and /or power marketers.

Total fuel cost applicable to the factor is computed by adding the cost of fuel burned to purchased power and interchange power fuel cost. This amount is then reduced by fuel associated with intersystem sales.

EXHIBIT F: FACTOR COMPUTATION

Staff has computed the Fuel Cost Adjustment Factor by month beginning with April 2003 and going through March 2004. In computing this factor, total fuel cost applicable to the Fuel Adjustment Clause is divided by total system sales, excluding intersystem sales. This results in fuel cost per KWH. The fuel cost per KWH is then compared to the base cost per KWH as ordered by the Commission. This variance is reflected as the monthly fuel cost adjustment factor.

EXHIBIT G: S.C. RETAIL COMPARISON OF FUEL REVENUES AND EXPENSES

Shown in this exhibit is the computation of the cumulative over-recovery at May 31, 2004.

**DUKE POWER COMPANY
COAL COST STATISTICS
APRIL 2003 - MARCH 2004**

AUDIT EXHIBIT A

SPOT					
<u>MONTH</u>	<u>TONS RECEIVED</u>	<u>PERCENTAGE</u>	<u>COST/TON RECEIVED</u>	<u>TOTAL RECEIVED COST</u>	<u>\$/MBTU</u>
	TONS	%	\$	\$	\$
Apr-03	410,807.10	23.51%	42.90	17,621,770.95	1.7618
May-03	306,551.30	18.39%	42.48	13,021,634.83	1.7229
Jun-03	90,583.85	6.12%	44.54	4,034,325.79	1.7663
Jul-03	89,119.35	8.05%	43.27	3,855,813.65	1.7562
Aug-03	78,645.35	5.09%	43.25	3,401,408.99	1.7983
Sep-03	68,826.40	5.98%	45.48	3,130,553.96	1.8232
Oct-03	50,988.23	4.27%	55.70	2,840,115.65	1.8734
Nov-03	194,362.23	16.38%	43.77	8,507,705.74	1.7578
Dec-03	188,138.35	16.22%	46.09	8,670,424.05	1.8606
Jan-04	275,125.05	19.13%	46.90	12,902,539.07	1.8999
Feb-04	163,722.90	11.38%	45.91	7,515,770.53	1.9039
Mar-04	206,512.80	13.78%	50.90	10,511,106.81	2.0659
Totals (4/03- 3/04)	2,123,382.91			96,013,170.02	

CONTRACT					
<u>MONTH</u>	<u>TONS RECEIVED</u>	<u>PERCENTAGE</u>	<u>COST/TON RECEIVED</u>	<u>TOTAL RECEIVED COST</u>	<u>\$/MBTU</u>
	TONS	%	\$	\$	\$
Apr-03	1,336,896.15	76.49%	39.24	52,458,716.46	1.6002
May-03	1,360,027.80	81.61%	40.41	54,956,579.05	1.6508
Jun-03	1,389,461.90	93.88%	41.32	57,414,328.48	1.6874
Jul-03	1,017,770.00	91.95%	43.16	43,924,655.23	1.7490
Aug-03	1,467,680.00	94.91%	45.30	66,491,937.79	1.8275
Sep-03	1,082,846.10	94.02%	44.35	48,024,435.80	1.8028
Oct-03	1,144,318.30	95.73%	45.81	52,420,079.49	1.8519
Nov-03	991,990.40	83.62%	44.59	44,235,384.32	1.8072
Dec-03	971,880.65	83.78%	46.93	45,606,398.08	1.9038
Jan-04	1,163,388.45	80.87%	46.68	54,301,267.20	1.8963
Feb-04	1,275,130.05	88.62%	46.74	59,600,095.02	1.8994
Mar-04	1,292,230.65	86.22%	47.19	60,979,087.98	1.9177
Totals (4/03- 3/04)	14,493,620.45			640,412,964.90	

COMBINED					
<u>MONTH</u>	<u>TONS RECEIVED</u>	<u>PERCENTAGE</u>	<u>COST/TON RECEIVED</u>	<u>TOTAL RECEIVED COST</u>	<u>\$/MBTU</u>
	TONS	%	\$	\$	\$
Apr-03	1,747,703.25	100.00%	40.10	70,080,487.41	1.6380
May-03	1,666,579.10	100.00%	40.79	67,978,213.88	1.6641
Jun-03	1,480,045.75	100.00%	41.52	61,448,654.27	1.6933
Jul-03	1,106,889.35	100.00%	43.17	47,780,468.88	1.7499
Aug-03	1,546,325.35	100.00%	45.20	69,893,346.78	1.8240
Sep-03	1,151,672.50	100.00%	44.42	51,154,989.76	1.8018
Oct-03	1,195,306.53	100.00%	46.23	55,260,195.14	1.8679
Nov-03	1,186,352.63	100.00%	44.46	52,743,090.06	1.7991
Dec-03	1,160,019.00	100.00%	46.79	54,276,822.13	1.8974
Jan-04	1,438,513.50	100.00%	46.72	67,203,806.27	1.8970
Feb-04	1,438,852.95	100.00%	46.65	67,115,865.55	1.8999
Mar-04	1,498,743.45	100.00%	47.70	71,490,194.79	1.9387
Totals (4/03- 3/04)	16,617,003.36			736,426,134.92	

DUKE POWER COMPANY
RECEIVED COAL-COST PER TON COMPARISON
APRIL 2003 - MARCH 2004

<u>DUKE POWER COMPANY</u>				
	<u>INVOICE</u>	<u>FREIGHT</u>	<u>TOTAL</u>	<u>COST PER</u>
	<u>COST PER</u>	<u>COST PER</u>	<u>COST PER</u>	
<u>MONTH</u>	<u>TON</u>	<u>TON</u>	<u>TON</u>	<u>MBTU</u>
	\$	\$	\$	\$
Apr-03	26.53	13.57	40.10	1.6380
May-03	26.33	14.46	40.79	1.6641
Jun-03	25.83	15.69	41.52	1.6933
Jul-03	27.38	15.79	43.17	1.7499
Aug-03	30.10	15.10	45.20	1.8240
Sep-03	29.35	15.07	44.42	1.8018
Oct-03	30.84	15.39	46.23	1.8679
Nov-03	29.47	14.99	44.46	1.7991
Dec-03	30.90	15.89	46.79	1.8974
Jan-04	31.43	15.29	46.72	1.8970
Feb-04	31.25	15.40	46.65	1.8999
Mar-04	32.02	15.68	47.70	1.9387

<u>CAROLINA POWER & LIGHT COMPANY</u>				
	<u>INVOICE</u>	<u>FREIGHT</u>	<u>TOTAL</u>	<u>COST PER</u>
	<u>COST PER</u>	<u>COST PER</u>	<u>COST PER</u>	
<u>MONTH</u>	<u>TON</u>	<u>TON</u>	<u>TON</u>	<u>MBTU</u>
	\$	\$	\$	\$
Apr-03	32.40	15.70	48.10	1.9278
May-03	32.07	16.05	48.12	1.9285
Jun-03	32.42	15.73	48.15	1.9276
Jul-03	32.79	16.16	48.95	1.9491
Aug-03	33.14	15.07	48.21	1.9311
Sep-03	33.12	15.66	48.78	1.9556
Oct-03	32.65	15.41	48.06	1.9213
Nov-03	36.58	18.04	54.62	2.2136
Dec-03	33.22	16.34	49.56	1.9893
Jan-04	34.84	14.84	49.68	1.9980
Feb-04	34.39	14.15	48.54	1.9516
Mar-04	31.81	16.40	48.21	1.9337

<u>SOUTH CAROLINA ELECTRIC & GAS COMPANY</u>				
	<u>INVOICE</u>	<u>FREIGHT</u>	<u>TOTAL</u>	<u>COST PER</u>
	<u>COST PER</u>	<u>COST PER</u>	<u>COST PER</u>	
<u>MONTH</u>	<u>TON</u>	<u>TON</u>	<u>TON</u>	<u>MBTU</u>
	\$	\$	\$	\$
Apr-03	29.94	12.06	42.00	1.6400
May-03	30.11	12.45	42.56	1.6743
Jun-03	31.57	12.77	44.34	1.7476
Jul-03	31.82	12.42	44.24	1.7355
Aug-03	31.59	12.45	44.04	1.7236
Sep-03	31.66	12.89	44.55	1.7534
Oct-03	31.81	11.54	43.35	1.7081
Nov-03	31.95	12.07	44.02	1.7397
Dec-03	32.21	13.28	45.49	1.7985
Jan-04	32.00	12.43	44.43	1.7567
Feb-04	33.14	13.62	46.76	1.8519
Mar-04	34.19	13.06	47.25	1.8653

AUDIT EXHIBIT C

**DUKE POWER COMPANY
DETAIL OF NUCLEAR COST
APRIL 2003 - MARCH 2004**

MONTH	BURN-UP COST	DISPOSAL COST	TOTAL NUCLEAR COST
	\$	\$	\$
Apr-03	11,192,508	3,296,237	14,488,745
May-03	10,560,631	2,956,191	13,516,822
Jun-03	10,778,170	3,077,622	13,855,792
Jul-03	12,302,502	3,539,162	15,841,664
Aug-03	11,463,275	3,478,475	14,941,750
Sep-03	8,143,383	2,436,247	10,579,630
Oct-03	9,206,423	2,757,786	11,964,209
Nov-03	9,269,910	2,812,411	12,082,321
Dec-03	9,529,763	2,897,765	12,427,528
Jan-04	10,769,870	3,414,352	14,184,222
Feb-04	10,528,497	3,310,372	13,838,869
Mar-04	8,453,527	2,652,380	11,105,907
Total	122,198,459	36,629,000	158,827,459

AUDIT EXHIBIT D

DUKE POWER COMPANY
TOTAL BURNED COST (FOSSIL AND NUCLEAR)
APRIL 2003 - MARCH 2004

<u>MONTH</u>	<u>COAL (1)</u>	<u>PERCENT</u>	<u>OIL</u>	<u>PERCENT</u>	<u>GAS</u>	<u>PERCENT</u>	<u>NUCLEAR</u>	<u>PERCENT</u>	<u>TOTAL BURNED COST</u>
	\$	%	\$	%	\$	%	\$	%	\$
Apr-03	40,874,352	71.23%	1,087,522	1.90%	933,416	1.63%	14,488,745	25.25%	57,384,035
May-03	44,749,550	75.56%	966,860	1.63%	(12,327)	-0.02%	13,516,822	22.82%	59,220,905
Jun-03	54,231,207	78.45%	985,814	1.43%	54,513	0.08%	13,855,792	20.04%	69,127,326
Jul-03	60,977,389	77.42%	1,798,501	2.28%	144,245	0.18%	15,841,664	20.11%	78,761,799
Aug-03	71,862,631	82.38%	398,619	0.46%	30,301	0.03%	14,941,750	17.13%	87,233,301
Sep-03	67,288,977	86.09%	239,320	0.31%	49,771	0.06%	10,579,630	13.54%	78,157,698
Oct-03	54,330,410	81.52%	363,686	0.55%	(15,354)	-0.02%	11,964,209	17.95%	66,642,951
Nov-03	59,552,753	82.26%	657,657	0.91%	102,488	0.14%	12,082,321	16.69%	72,395,219
Dec-03	70,993,286	84.79%	312,504	0.37%	(12)	0.00%	12,427,528	14.84%	83,733,306
Jan-04	75,256,699	82.51%	1,768,164	1.94%	3,385	0.00%	14,184,222	15.55%	91,212,470
Feb-04	73,556,879	83.46%	736,394	0.84%	2,431	0.00%	13,838,869	15.70%	88,134,573
Mar-04	68,726,421	84.30%	1,687,618	2.07%	6,889	0.01%	11,105,907	13.62%	81,526,835

(1) Includes Emission Allowance Expense

AUDIT EXHIBIT E

DUKE POWER COMPANY
COST OF FUEL
APRIL 2003 - MARCH 2004

<u>MONTH</u>	<u>TOTAL COST OF FUEL BURNED</u>	<u>PURCHASED AND INTERCHANGE POWER FUEL COST</u>	<u>FUEL COST RECOVERED INTERSYSTEM SALES</u>	<u>TOTAL FUEL COST</u>
	\$	\$	\$	\$
Apr-03	57,384,035	3,174,447	(15,251,224)	45,307,258
May-03	59,220,905	2,996,061	(7,056,293)	55,160,673
Jun-03	69,127,326	2,196,346	(7,758,338)	63,565,334
Jul-03	78,761,799	3,970,006	(8,415,989)	74,315,816
Aug-03	87,233,301	2,536,731	(10,128,636)	79,641,396
Sep-03	78,157,698	3,301,057	(7,683,436)	73,775,319
Oct-03	66,642,951	1,066,863	(10,168,645)	57,541,169
Nov-03	72,395,219	307,292	(8,485,934)	64,216,577
Dec-03	83,733,306	3,777,550	(6,369,355)	81,141,501
Jan-04	91,212,470	2,185,604	(23,410,588)	69,987,486
Feb-04	88,134,573	1,184,513	(24,412,991)	64,906,095
Mar-04	81,526,835	223,191	(19,026,543)	62,723,483
Total	913,530,418	26,919,662	(148,167,972)	792,282,108

AUDIT EXHIBIT F

DUKE POWER COMPANY
FACTOR COMPUTATION
APRIL 2003 - MARCH 2004

<u>MONTH</u>	<u>TOTAL FUEL COSTS</u> \$	<u>TOTAL SYSTEM SALES EXCLUDING INTERSYSTEM SALES</u> KWH	<u>FUEL COST PER KWH</u> \$/KWH	<u>BASE COST PER KWH INCLUDED IN RATES</u> \$/KWH	<u>FUEL ADJUSTMENTS PER KWH</u> \$/KWH
Apr-03	45,307,258	5,471,235,000	0.008281	0.009500	0.001219
May-03	55,160,673	5,700,038,000	0.009677	0.009500	(0.000177)
Jun-03	63,565,334	5,958,202,000	0.010669	0.011500	0.000831
Jul-03	74,315,816	6,702,805,000	0.011087	0.011500	0.000413
Aug-03	79,641,396	7,085,832,000	0.011240	0.011500	0.000260
Sep-03	73,775,319	7,179,603,000	0.010276	0.011500	0.001224
Oct-03	57,541,169	5,491,159,000	0.010479	0.011500	0.001021
Nov-03	64,216,577	5,582,292,000	0.011504	0.011500	(0.000004)
Dec-03	81,141,501	6,431,426,000	0.012616	0.011500	(0.001116)
Jan-04	69,987,486	6,395,389,000	0.010943	0.011500	0.000557
Feb-04	64,906,095	6,507,897,000	0.009973	0.011500	0.001527
Mar-04	62,723,483	6,125,438,000	0.010240	0.011500	0.001260

Duke Power Company
S.C. Retail Comparison of Fuel Revenues & Expenses
April 2003 - May 2004

Description	ACTUAL					
	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03
Fossil Fuel	42,895,290	45,704,083	55,271,534	62,920,135	72,291,551	67,578,068
Nuclear Fuel	14,488,745	13,516,822	13,855,792	15,841,664	14,941,750	10,579,630
Purchased Power (2)	3,174,447	2,996,061	2,196,346	3,970,006	2,536,731	3,301,057
Subtotal	60,558,482	62,216,966	71,323,672	82,731,805	89,770,032	81,458,755
Less: Fuel Cost Recovered through Intersystem Sales	15,251,224	7,056,293	7,758,338	8,415,989	10,128,636	7,683,436
Fuel Cost	45,307,258	55,160,673	63,565,334	74,315,816	79,641,396	73,775,319
Total System KWH Sales Excluding Intersystem Sales (000's)	5,471,235	5,700,038	5,958,202	6,702,805	7,085,832	7,179,603
\$/KWH Sales	0.008281	0.009677	0.010669	0.011087	0.011240	0.010276
Less: Base Sales (\$/KWH)	0.009500	0.009500	0.011500	0.011500	0.011500	0.011500
Fuel Adjustment Per KWH	0.001219	(0.000177)	0.000831	0.000413	0.000260	0.001224
S.C. KWH Sales (000's)	1,537,479	1,617,323	1,703,817	1,851,644	1,944,766	1,955,670
Over/(Under) Recovery	1,874,187	(286,266)	1,415,872	764,729	505,639	2,393,740
Cumulative Over/(Under) Recovery-March 2003	(1,121,094)	(1)				
Cumulative Over/(Under) Recovery this Period	753,093	466,827	1,882,699	2,647,428	3,153,067	5,546,807

(Explanation for Notes (1) through (3) are on Pages 3 of 4 and 4 of 4.)

Please Note:

The Audit Staff, as of this report in Audit Exhibit G, reflects Over-Recovery amounts without parentheses and reflects (Under) - Recovery amounts within parentheses. The Audit Staff wanted to be consistent with the Utilities Staff's reflection of Over (Under) Recovery amounts as shown in the Utilities Staff's exhibits of this report.

Duke Power Company
S.C. Retail Comparison of Fuel Revenues & Expenses
April 2003 - May 2004

Description	ACTUAL					ESTIMATED				
	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04		
Fossil Fuel	54,678,742	60,312,898	71,305,778	77,028,248	74,295,704	70,420,928	66,843,000	74,849,000		
Nuclear Fuel	11,964,209	12,082,321	12,427,528	14,184,222	13,838,869	11,105,907	11,982,000	12,571,000		
Purchased Power (2)	1,066,863	307,292	3,777,550	2,185,604	1,184,513	223,191	2,095,000	2,095,000		
Subtotal	67,709,814	72,702,511	87,510,856	93,398,074	89,319,086	81,750,026	80,920,000	89,515,000		
Less: Fuel Cost Recovered through Intersystem Sales	10,168,645	8,485,934	6,369,355	23,410,588	24,412,991	19,026,543	11,758,000	11,758,000		
Fuel Cost	57,541,169	64,216,577	81,141,501	69,987,486	64,906,095	62,723,483	69,162,000	77,757,000		
Total System KWH Sales Excluding Intersystem Sales (000's)	5,491,159	5,582,292	6,431,426	6,395,389	6,507,897	6,125,438	5,605,166	5,630,179		
\$/KWH Sales	0.010479	0.011504	0.012616	0.010943	0.009973	0.010240	0.012339	0.013811		
Less: Base Sales (\$/KWH)	0.011500	0.011500	0.011500	0.011500	0.011500	0.011500	0.011500	0.011500		
Fuel Adjustment Per KWH	0.001021	(0.000004)	(0.001116)	0.000557	0.001527	0.001260	(0.000839)	(0.002311)		
S.C. KWH Sales (000's)	1,545,584	1,562,074	1,725,874	1,739,354	1,766,713	1,639,031	1,605,886	1,622,235		
Over/(Under) Recovery	1,578,041	(6,248)	(1,926,075)	968,820	2,697,771	2,065,179	(1,347,338)	(3,748,985)		
Cumulative Over/(Under) Recovery - 9/03 (p.1 of 4)	5,546,807									
Stipulation Adjustment						500,000 (3)				
Cumulative Over/(Under) Recovery this Period	7,124,848	7,118,600	5,192,525	6,161,345	8,859,116	11,424,295	10,076,957	6,327,972		

(Explanation for Notes (1) through (3) are on Pages 3 of 4 and 4 of 4.)

Please Note:

The Audit Staff, as of this report in Audit Exhibit G, reflects Over-Recovery amounts without parentheses and reflects (Under) - Recovery amounts within parentheses. The Audit Staff wanted to be consistent with the Utilities Staff's reflection of Over (Under) Recovery amounts as shown in the Utilities Staff's exhibits of this report.

Duke Power Company

S.C. Retail Comparison of Fuel Revenues and Expenses

APRIL 2003 – MAY 2004

- (1) Staff's cumulative (under)-recovery balance brought forward from March 2003 totals (\$1,121,094). The Company's beginning cumulative (under)-recovery balance from March 2003 totals (\$997,000) per books. The beginning cumulative (under)-recovery difference between Staff and the Company totals (\$124,000).
- (2) Staff's Purchased Power figures for April 2003 through March 2004 and the resultant over (under)-recovery monthly deferred fuel amounts for April 2003 through March 2004 reflects Staff's compliance with the recently revised section of the S.C. Fuel Statute (updated as of February 2004). This Statute addresses "fuel costs related to purchased power". Section 7 (2)(b) of the revised Statute stated that the delivered cost of economy purchases, including transmission charges, could be included in Purchased Power Costs if those types of purchases were proven to be "less than the purchasing utility's avoided variable costs for the generation of an equivalent quantity of electric power". After Staff applied this revised Statute to the examined economic purchases in comparison to the applicable avoided costs, Staff's adjustment increased the review period's Purchased Power Costs, on a total system—native load basis, by \$1,783,947. As mentioned previously, according to the new Statute section, transmission charges could be included in the delivered cost of economy purchases. The Audit Staff and the Company could not readily identify the economy transmission charges for this review period. Therefore, Staff did not make an adjustment to specifically include these charges. Based on the new Statute section, after comparing the economy purchases to the Company's applicable avoided variable costs, Staff's avoided costs adjustment totaled (\$69,274). This figure reflects the usage of an avoided cost as a lesser price, at that point in time, over a purchase price. Staff's avoided cost adjustment (on a native load basis) of (\$69,274) also reflects the difference (as adjusted for rounding) between the Company's -- \$26,990,000 and the Staff's -- \$26,919,662-- Purchased Power Costs for the review period, on a total system basis. The effect of Purchased Power Costs, on a S.C. jurisdictional basis (28%), is \$ 7,557,000, per Company and \$7,538,000, per Staff. The net difference between the Company's and the Staff's Purchased Power Costs for the review period, on a S.C. jurisdictional basis, is \$19,000 (on a rounded basis).
- (3) The Company and the Consumer Advocate agreed on a Stipulation in April 2004 concerning the treatment of various Purchased Power Costs that was an issue in the previous Duke fuel hearings of Docket No. 2002-3-E and Docket No. 2003-3-E. The Stipulation was subsequently approved by the Public Service Commission of S.C. on May 4, 2004. The Stipulation between the Company and the Consumer Advocate stated that the Company would "forego recovery of \$500,000" in fuel costs as a settlement amount for the two aforementioned fuel dockets. It should be noted that the Company had already, at the time of the Stipulation, booked a reverse journal entry of \$566,033

Duke Power Company
S.C. Retail Comparison of Fuel Revenues and Expenses
APRIL 2003 – MAY 2004

(3) (Continued)

(\$564,000 before the tax factor of 1.0044) that could be considered in favor of the ratepayers. Therefore, Staff reflects an agreement with the Stipulation by reflecting a "Stipulation Adjustment" of \$500,000 as an over-recovery adjustment in the calculation of the cumulative deferred over-recovery balance as of March 2004.

The Company's cumulative over-recovery balance, on a S.C. jurisdictional basis, as of actual March 2004, per its testimony in Docket No. 2004-3-E totals \$11,598,000. Staff's cumulative over-recovery balance, on a S.C. jurisdictional basis, as of actual March 2004 totals \$11,424,295. The cumulative over-recovery balance difference, on a S.C. jurisdictional basis, between the Staff and the Company as of actual March 2004 is \$173,705 (\$174,000 on a rounded basis). The Company's cumulative over-recovery balance, on a S.C. jurisdictional basis, as of estimated May 2004, per its testimony in Docket No. 2004-3-E totals \$6,502,000. Staff's cumulative over-recovery balance, on a S.C. jurisdictional basis, as of estimated May 2004 totals \$6,327,972. The cumulative over-recovery balance difference, on a S.C. jurisdictional basis, between the Staff and the Company as of estimated May 2004 is \$174,028 (\$174,000 on a rounded basis).